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C O N F I D E N T I A L SECTION 01 OF 02 LIMA 005037

SIPDIS

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SUBJECT: CHILE-PERU MARITIME BOUNDARY - ECONOMIC STAKES

REF: A) LIMA 4662 B) SANTIAGO 2440

Classified By: Acting Economic Counselor Howell Howard. REASON: 1.4(b/d)
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1. (SBU) SUMMARY: Aside from national sovereignty, Peru's main interest in the disputed waters at the Chile/Peru border is the area's fishery. The approximately 14,600 square miles of disputed seas are rich in anchovies, but less so than further north, making the area probably more valuable to Chile than Peru. GOP and industry contacts maintain that Peruvian fishermen generally keep clear of the disputed area, although small fishing boats do occasionally stray in the disputed waters. GOP officials say that while there is some economic value to the disputed area, political rather than economic motives drive GOP's desire to set its sea border with Chile as a southwesterly rather than a westerly line. The area is not currently a hot prospect for oil or gas discoveries. END SUMMARY.

2. (SBU) Peru's 1954 fisheries agreements with Chile provides for dealing with stray fishing boats using a demarcation latitude running west at a latitude of 18 degrees 21 minutes. (Note: the 1952 maritime agreement between Chile, Peru and Ecuador proclaims their 200-mile jurisdiction without delineating borders between the three. End Note.) If the sea border extended southwest from the coastal point of the Peru/Chile land board, perpendicular to the inverted "v" made by the Peruvian and Chilean coasts on both sides of the coastal border point, the resulting wedge of sea, if extended to the 200 mile frontier that Peru claims, would add approximately 37,000 square kilometers of sea territory to Peru. (Note: the actual sea border demarcation that Peru proposes is a complicated calculation involving an arc from a reference point in Chile to a point offshore from which a new line to the 200-mile limit would be drawn. End Note.)

3. (SBU) The Humboldt Current flows up the South American coast from Antarctica to the Peru/Ecuador border area. The current's churning of coastal waters results in rich sea life that fuels a Peruvian fishing industry that produces 12 percent of Peru's revenues, behind only mining and remittances from Peruvians working abroad. According to NGO and GOP sources, the current's interaction with winds makes for good fishing along much of the Chilean coast for only part of the year, while all along the Peruvian coast the fishery is constant year round. The disputed wedge of sea that Peru seeks is in the area with constant productive fishing.

4. (SBU) Richard Inurritegui the president of the Peruvian Society of Fisherman, told Econoff on November 9 that the disputed wedge is a rich source of anchovies, with some sardines, mackerel and tuna. Anchovy is the main species fished in Southern Peru and Northern Chile; both it and sardines have cyclical populations along the coast and currently sardines are in decline. Much of the anchovy catch is ground into fishmeal for animal feed, and there are extensive poultry production facilities all along the Southern Peruvian Coast to take advantage of the proximity of fishmeal plants; much fishmeal is also exported, with China a major importer.

5. (SBU) Inurritegui reported that Peru's central and northern coasts produce far more anchovies (8 million metric tons annually) than the southern coast (1 million). The southern coast is still more productive than the Chilean coast further south, and Inurritegui (and NGO contacts separately) opined to Econoff that for this reason the sea wedge is more important economically to Chilean than Peruvian fishermen.

6. (SBU) Inurritegui noted that large company-owned Peruvian fishing vessels (all members of his association) generally stay away from the disputed wedge, and so do not have specific information as to potential catches. However, the fishing characteristics are the same, he said, as the area north of the 1954 line) right up to which Peruvian boats do fish. Individually owned "artesanal" fishermen do stray from time to time into the waters Chile claims, and there have always been Chilean seizures of these boats. Inurritegui noted that one of the main purposes of the 1954 agreement was to institutionalize procedures for stray fishing boats found in waters claimed by each country, inevitable because of inadequate position finding equipment -- both at the time of the 1954 agreement and today in the many artesanal small

boats. Inurritegui said that he was unaware of any association members detained for fishing in the disputed waters.

17. (SBU) Gustavo Navarro, Director of Hydrocarbons at the Ministry of Mines and Energy, told Econoff on November 22 that the disputed wedge is not an area with expected potential for gas or oil exploration. No oil companies have expressed interest in signing contracts for exploration in this region. While the Mollendo hydrocarbon basin runs offshore from Arequipa southeast into the disputed area, there have been few seismic surveys performed off the Tacna Department coast just north of the disputed areas; it may be worth exploring some day, but there is no reason at this time to suspect that the area is a rich prospect.

18. (C) Despite the obvious economic importance of the disputed wedge, the dominant consideration for claiming the wedge appears to remain political. Vice Minister of Fisheries Alfonso Miranda told DCM on October 19 that the southwesterly line is the normal way of demarcating sea boundaries used by the vast majority of sea borders worldwide. David Lemor, Minister of Production (which includes fisheries), told Econoff on November 8 that while the disputed area is of great economic importance for the fish products industry, Peru is more concerned with national sovereignty over what it sees as its natural border. MFA Director for North America Nestor Popolizio and his Chilean desk officer said the same thing to Econoff on November 8.

19. (C) Popolizio also pointed out that Peru faces a similar issue with its Ecuador border, another zone of rich fisheries. While the pending Peruvian legislation to set out its claimed maritime zone (Ref A) also includes the Ecuador border, the latter is a less thorny issue with the government of Ecuador, according to Popolizio. (Note: Ref A explains the GOP's desire to ratify the UN Convention on the Law of the sea as an important motivator of its current legislative proposal to state its claim to the disputed wedge. Production Minister Lemor noted to Econoff that it was particularly important for Peru to formalize its claim to a 200-mile jurisdiction, since it was one of the first nations to claim such a zone in the 1940's, along with Chile and Ecuador. End Note.)
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